

1997-98 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

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Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
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➤ Appointments ... Appt

➤ \*\*

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➤ Miscellaneous ... Misc

➤ 97hrJC-Fi\_Misc\_pt124a\_LFB

➤ Record of Comm. Proceedings ... RCP

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# Veterans Affairs

(LFB Budget Summary Document: Page 632)

## LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
-	Veterans Trust Fund Condition Statement Overview (Paper #915)
2	Debt Service Reestimate (see Paper #216)
3	Benefits Eligibility for Peacetime Veterans (Paper #916)
4	Veterans Trust Fund -- Personal and Economic Assistance Loan Program (Paper #917)
5	Veterans Trust Fund -- Veteran Assistance Program (Paper #918)
6a	Veterans Trust Fund -- Grants to Veterans -- Tuition Fee Reimbursement Program (Paper #919)
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6b	Veterans Trust Fund -- Grants to Veterans -- Retraining Grant Program (Paper #921)
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To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Veterans Trust Fund Condition Statement Overview (Veterans Affairs)

## CURRENT LAW

The veterans trust fund (VTF) provides funding for a number of loan and grant programs primarily for eligible wartime veterans. In addition, grant funds are provided to certain veterans organizations, CVSOs and other entities. Finally, administrative costs of the loan and grant programs and part of the costs of operation of the veteran's museum (until June 30, 1997) are funded from the trust fund.

## GOVERNOR

Provide expenditure authority of \$16,288,400 in 1997-98 and \$17,867,100 in 1998-99 for veterans trust fund resulting from recommended funding increases and decreases in the various programs and activities financed by the VTF.

## DISCUSSION POINTS

1. The first state grants to Wisconsin war veterans were authorized in the 1940's. The segregated veterans trust fund was created in 1961 to provide a single fund from which the various loan and grant aid programs for Wisconsin's war-time veterans would be financed.

2. In the past, the main revenue source for the veterans trust fund was the general fund, which provided \$25.8 million in general tax collection receipts, \$25.2 million in direct appropriations and \$37.3 million in loans (which have been repaid) to enable the fund to provide benefits to veterans.

3. More recently, and prior to 1991, on-going revenue sources for the trust fund were primarily from loan repayments by veterans on outstanding second mortgage and economic assistance loans and investment earnings on the cash and investment balances of the fund.

4. However, over the years, new trust fund programs have been created and existing programs have been changed in order to increase benefit levels and/or the number of eligible veterans. As a result, annual on-going expenditures typically exceeded annual on-going revenues resulting in a gradual depletion of the trust fund balance. This situation culminated in the development that in the 1991-93 budget biennium, in order to maintain a positive balance in the VTF, a veterans mortgage loan portfolio that was held by WHEDA was sold, to generate a one-time infusion of \$11.1 million in revenue for the trust fund.

5. In the 1993-95 biennium, there was again concern over the condition of the trust fund. In an attempt to stabilize revenues for the fund, \$20.0 million was transferred from the excess reserves in the veterans mortgage loan repayment fund to the VTF to create a one-time consumer loan program. Revenues from loan repayments, including interest, under the one-time consumer loan program, are being repaid to the trust fund. The original intent was that the \$20.0 million for the consumer loan program would be the total funding for the one-time program. However, due to rapid depletion of those funds, under 1993 Act 254, approximately \$90.1 million in veterans mortgage bonds were sold and the proceeds and remaining assets, totalling \$15.6 million were used to provide additional funding for the one-time consumer loan program. Loans under the program were for a period of up to 10 years and loan repayments under the program are currently providing revenues to the VTF of approximately \$3 million annually.

6. For 1996-97, it is estimated that the fund will receive an estimated \$8,991,200 in revenues and expend an estimated \$10,210,900. The difference of \$1,219,700 in expenditures in excess of revenue will be financed from a carryover balance of approximately \$15.7 million.

7. As shown in the following table, the estimated June 30, 1999, balance of the VTF under the bill is \$16,806,500.

**TABLE 1**  
**Comparative Estimated Veterans Trust Fund Condition Statements**  
**FY 1995-97**

	1996-97 <u>Estimate</u>	1997-98 <u>SB 77</u>	1998-99 <u>SB 77</u>
Opening Balance, July 1	\$15,661,500	\$14,441,800	\$17,413,200
<b>Revenues</b>			
Interest Earnings	\$2,984,200	\$7,297,000	\$8,136,700
Loan Repayments	5,710,900	8,311,300	9,015,600
SWIB Loan Proceeds	0	7,500,000	7,500,000
Cash Transfer to Fund	0	3,492,600	0
Miscellaneous Income	<u>296,100</u>	<u>208,800</u>	<u>208,800</u>
Total Revenues	\$8,991,200	\$26,809,700	\$24,861,100
<b>Expenditures</b>			
Appropriation	\$10,210,900	\$16,288,400	\$17,867,100
Pay Plan Reserves	0	49,900	100,700
Expenditure of SWIB Loan Proceeds	<u>0</u>	<u>7,500,000</u>	<u>7,500,000</u>
Total Expenditures	\$10,210,900	\$23,838,300	\$25,467,800
Ending Balance, June 30	\$14,441,800	\$17,413,200	\$16,806,500

8. Two points may be noted regarding the data in Table 1. First, there are significant increases in revenue from interest earnings, loan repayments and a one-time cash transfer to the fund in 1997-98. These increased revenues (as well as the use of loan proceeds from the State of Wisconsin Investment Board) are primarily due to the proposal included in the Governor's budget for creation of a permanent personal loan program to be funded from the veteran's trust fund. In particular, in 1997-98, approximately \$4.6 million of the increased revenue from interest earnings, \$2.4 million of the increased revenues from loan repayments, as well as the one-time cash transfer of approximately \$3.5 million and the use of an estimated \$7.5 million loan proceeds from SWIB would be a result of the proposed new personal loan program.

9. The second point concerns expenditures. Under the Governor's bill, \$7.5 million per year is included for loan expenditures under the new personal loan program. However, while not included in the appropriation estimate under the bill, DVA anticipates expending an additional \$7.5 million above the budgeted level from the continuing appropriation for the new personal loan program.

10. If the increased revenues and increased expenditures associated with the creation of the new personal loan program were removed from the above table and the economic assistance loan program continued, the otherwise projected revenues and expenditures under the

bill for the veterans trust fund would show annual expenditures exceeding annual revenues by approximately \$2.3 million in 1997-98 and \$2.9 million in 1998-99, even though the veterans trust fund would still have a positive ending balance on June 30, 1999, of an estimated \$9.1 million.

11. Table 2 below compares the bill budgeted levels for existing and newly funded veterans trust fund program with 1996-97 estimated expenditures.

**TABLE 2**  
**Comparative Veterans Trust Fund Program Expenditures**  
**FY 1997 to FY 1999**

<u>Program</u>	<u>Estimated 1996-97 Expenditures</u>	<u>1997-98 Appropriations</u>	<u>1998-98 Appropriations</u>
<b>Ongoing Programs</b>			
Administration	\$2,411,400	\$2,578,800	\$2,599,300
Veterans Museum Operations	216,800	5,000	5,000
Veterans Museum Sales	123,700	132,700	132,700
Tuition & Fee Reimbursement Prog.	900,000	1,829,600	1,986,900
Part-time Study Grants	654,300	659,800	701,400
Retraining Grants	441,500	465,000	515,000
Health Care Aid Grants	1,184,600	557,000	557,000
Subsistence Aid Grants	198,000	234,200	234,200
CVSO Grants	138,400	352,700	386,500
Veterans Assistance Program	800,000	1,037,200	1,049,500
Veterans Service Organizations	60,000	77,400	79,800
Home for Needy Veterans	10,000	10,000	10,000
Southeastern Cemetery	366,300	282,000	294,000
WWI Grant	0	2,500	2,500
Death Refund Grants	0	2,000	2,000
Veterans Loans and Expense	150,000	300,000	300,000
Pay Plan Costs*	--	49,900	100,700
<b>Terminating Programs</b>			
Economic Assistance Loan Program	2,555,900	0	0
<b>New Programs</b>			
Personal Loan Program*	<u>N.A.</u>	<u>15,262,500</u>	<u>16,511,300</u>
<b>Total</b>	<b>\$10,210,900</b>	<b>\$23,838,300</b>	<b>\$25,467,800</b>

\*Not included in the bill

\*\*Include the additional \$7.5 million in expenditures for this program each year the Department expects to make but which is not included in the bill.

12. Under the Governor's recommendation, the 1997-98 and 1998-99 appropriation levels represent an increase over the 1996-97 estimated expenditure levels of 60% for 1997-98 and 75% for 1998-99. The Department, however, anticipates actual making \$15,262,500 in 1997-98 and \$16,511,300 in 1998-99 in personal loan program expenditures (an additional \$7.5 million in each year). If those expenditures are included the 1997-98 and 1998-99 appropriation level the percentage increase over the 1996-97 level of expenditures would 133% for 1997-98 and 148% for 1998-99.

13. The Department has prepared estimates which show that if the Governor's recommendation for the personal loan program is approved, the trust fund would not be expected to need a supplement of revenue through at least fiscal year 2006-07. If the personal loan program is not implemented, the Department estimates that the trust fund would need an additional supplement of revenue in 2001-02 in order to remain solvent. However, neither of these alternative projections take into account any possible future enhancements of veteran trust fund programs such as increasing educational grant programs to 100% reimbursement or creating new loan or grant programs.

Prepared by: Tricia Collins

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## **ISSUE**

### **Benefits Eligibility for Peacetime Veterans (Veterans Affairs)**

[LFB Summary: Page 633, #3]

## **CURRENT LAW**

The Wisconsin Department of Veterans Affairs administers several loan and grant programs and operates the Wisconsin Veterans Home at King, Wisconsin for the benefit of Wisconsin veterans. Wisconsin veterans may be eligible for these programs and/or for admission to the Home as a result of having served in the armed forces during a statutorily-designated wartime period or conflict, or for having been awarded the armed forces expeditionary medal.

## **GOVERNOR**

Provide that the current, general definition of veteran be expanded to include veterans who have served in the U.S. armed forces for at least two consecutive years of active duty service for other than training purposes or have served the full period of their initial service obligation, whichever is less. Specify that an individual who, during the person's initial service obligation period, was discharged for reason of hardship or a service-connected disability or released due to a reduction in the U.S. armed forces, would be eligible for veteran benefits. All currently eligible veterans would remain eligible for benefits under the existing eligibility law. [Note: The bill as drafted provides that veterans who served under other than dishonorable conditions could qualify as peacetime veterans if they meet the service time requirements. However, it is the Governor's intent that only veterans who were discharged under honorable conditions or who qualify for federal general veteran benefits be included as eligible peacetime veterans.]



This statutory modification would affect the following veterans programs and services: (1) health care aid, subsistence aid, and retraining, tuition fee reimbursement and part-time study grants; (2) personal loan and housing loan programs; (3) admission to the Wisconsin Veterans Home at King; (4) burial provisions; (5) museum activities; and (6) employment provisions. Under the bill, \$724,400 SEG in 1997-98 and \$608,300 SEG in 1998-99 is provided for the additional costs associated with this change for the following veterans trust fund programs: (1) \$97,000 annually for the health care aid grant program; (2) \$39,200 annually for the subsistence aid grant program; (3) \$75,000 annually for the retraining grant program; (4) \$175,700 in 1997-98 and \$184,200 in 1998-99 for the part-time study grant program; and (5) 337,500 in 1997-98 and \$212,900 in 1998-99 for the tuition and fee reimbursement grant program.

## DISCUSSION POINTS

1. In general, eligibility for most Wisconsin DVA veterans programs is based on wartime/crisis period service. One notable exception is eligibility for the tuition fee reimbursement program. Under the tuition fee reimbursement program, a veteran must have served two continuous years of active duty and have been discharged within six years of his or her application for a grant under the program. Current eligibility service requirements for Wisconsin DVA benefits are summarized in table below.

### Current Veterans' Service Eligibility Requirements

Program	Service Requirements
Health Care Aid Grant Subsistence Aid Grant Retraining Grant Economic Assistance Loan Part-time Study Grant	Active duty service, other than for training purposes: (1) for 90 days or more during a wartime period; (2) during a statutory-designated crisis period; or (3) entitlement to receive an armed forces, navy or marine corps expeditionary medal or the Vietnam service medal.
Tuition Fee Reimbursement Grant	Active duty service, other than for training purposes, for two or more continuous years or the full period of an individual's initial service obligation, whichever less, within six years after separation from active duty. An individual discharged for reasons of hardship, service connected disability or due to a reduction in the armed forces is eligible regardless of the time service.
Veterans Assistance Centers	Service in the U.S. Armed Forces.
Housing Loans: Primary and Home Improvement	Active duty service: (1) for 90 days or more during a wartime period; (2) during a statutory-designated crisis period; (3) six months between February 1, 1955 and August 4, 1964; (4) or entitlement to receive an armed forces expeditionary medal.

Program	Service Requirements
Wisconsin Veterans Home	Active duty service: (1) for 90 days with at least one day of active duty service during a wartime period; (2) service during a statutory-designated crisis period; or (3) entitlement to receive an armed forces, navy or marine corps expeditionary medal or the Vietnam service medal.
Veterans Cemeteries	Active duty service in Armed Forces. A person who served 20 years in the National Guard or Reserves and qualifies for retirement pay or would have qualified except death occurred before age 60 is eligible for burial at a veterans cemetery.

2. The general definition of veteran as set out in Chapter 45 is also carried over to other places in the statutes where a the term of veteran is used, for example: (a) dedication of the Wisconsin Veterans Museum to Wisconsin veterans; (b) public employment provisions regarding Wisconsin veterans; (c) eligibility for burial at a Wisconsin veterans cemetery; and (d) recording the place of burial of Wisconsin veterans.

3. The Governor's recommendation would continue the existing wartime/crisis period service eligibility requirements for veterans and add eligibility for certain Wisconsin DVA program for peacetime veterans. Peacetime veterans are defined under the bill as veterans who have served in the U.S. armed forces for at least two consecutive years of active duty service for other than training purposes or have served the full period of their initial service obligation, whichever is less. In addition, an individual who, during the person's initial service obligation period, was discharged for reason of hardship or a service-connected disability or released due to a reduction in the U.S. armed forces, would be eligible for veteran benefits.

4. As drafted the bill includes three unintended changes. First, the bill provides that veterans who served under other than dishonorable conditions could qualify as peacetime veterans if they meet the service-time requirements. However, it is the Governor's intent that only veterans who were discharged under honorable conditions or who qualify for federal general veteran benefits be included as eligible peacetime veterans. The Committee could adopt a technical change to the bill to accomplish the Governor's intent.

5. Second, the bill language eliminates the previous definition of eligible veterans for the tuition fee reimbursement program, (two continuous years of active duty) and instead references the general definition of veteran, which under the bill includes peacetime eligibility. The Department indicates that it did not intend to extend eligibility for this program to veterans who did not serve two continuous years of active duty. DVA states that the tuition and fee reimbursement program was specifically designed for veterans who have served on active duty for two years or more. However, the bill, by referencing the general definition of veteran, includes anyone who applies for the program courses completed within six years after separation who is also otherwise eligible for state veteran benefits (that is, a veteran who only served 90

days in the Somalia conflict). The Committee could retain the current eligibility definition for this program as intended by the Department.

6. Third, the bill would expand the current burial allowance provisions to include peacetime veterans and repeal the provision that requires veterans to have been living in the county at the time of death to be entitled to burial by the county. The Department has indicated that it did not intend, and county veterans service officers do not support, the requirement that counties pay for burial services for veterans not living in the county at the time of death. The Committee could choose to retain the requirement that a veteran be living in the county at the time of death before that county would be required to pay up to \$300 to ensure the proper burial of the veteran.

7. The basic issue before the Committee regarding peacetime eligibility is what is the purpose of providing programs (benefits) for veterans. At least two different views are apparent:

- Those (including the Department) who see a need to reward those who served their country whether in war or peace.
- Those who believe only more targeted needs should be served based on veterans in need and/or veterans whose lives were disrupted and who went in "harms way."

8. Historically, Wisconsin veteran benefits have been provided to recognize those veterans that placed themselves in "harms way" in service to our country. These veterans were in the area of conflict and often involved in direct combat. It is often pointed out that these veterans made a special sacrifice in serving our country during national conflicts, wars or call-ups from active duty or from the National Guard.

9. The Department asserts that peacetime service is no less important than the service of wartime veterans and expanding eligibility to peacetime veterans recognizes the importance of their service to our nation. In support of this argument, DVA states that the period during which peacetime veterans serve is usually a function of their age, not a function of their willingness to sacrifice. In addition, it is argued that many wartime veterans did not serve under circumstance any more dangerous or arduous than those under which peacetime veteran served.

10. It should be noted that under the bill's definition of veteran, based on the most recent experiences, Bosnia, Persian Gulf War, Grenada and Panama for example, there would be veterans that will go into harms way in the future and yet may not qualify for veterans benefits under the two-year peacetime eligibility requirement. For example, current law provides that a person qualifies for veteran status if he or she served 90 days or more in Somalia or in territorial waters adjacent to Somalia under honorable conditions between December 9, 1992, and the end of Operation Restore Hope, as established by the Department. If another limited conflict would occur that is less than two years, those persons that served in the conflict would not be eligible for veteran benefits under current law or the peacetime eligibility provision. The Legislature would be left to address future specific eligibility periods on a case-by case basis. Therefore,

expanding the definition of veteran to include peacetime veterans will most likely not eliminate the need to add additional service periods in the future.

11. Under the bill, five grants programs funded from the veterans trust fund would need the following additional funding under the Governor's recommendation to expand state veterans program benefits to peacetime veterans: (a) \$97,000 annually for the health care aid grant program; (b) \$39,200 annually for the subsistence aid grant program; (c) \$175,700 in 1997-98 and \$184,200 in 1998-99 for the part-time study grant program; (d) \$75,000 annually for the retraining grant program; and (e) \$337,500 in 1997-98 and \$212,900 in 1998-99 for the tuition and fee reimbursement grant program. The Department notes the estimated cost to the trust fund will be covered by the added revenues provided from the proposed personal loan program.

12. As previously noted, Department indicates that it did not intend to modify the service time eligibility requirements for the tuition fee reimbursement program. The funding indicated in its budget request for extending benefits under this program to peacetime veterans is actually associated with extending eligibility for the program from six to ten years after discharge. This funding increase is addressed under a separate paper.

13. In addition, the primary home mortgage loan program, the home improvement loan program and the personal loan program would be affected by the Governor's recommendation to expand state veterans program benefits to peacetime veterans. The primary impact of extending eligibility for these programs would affect the level of program demand for loans under the personal loan program or the amount of bonding authorization expected to be needed for the primary mortgage loan program and home improvement loan program.

14. The Department has reestimated the funding needed to expand peacetime eligibility for two programs: (a) \$206,900 SEG in 1997-98 and \$210,600 SEG in 1998-99 for the part-time study grant program; and (b) \$164,800 SEG annually for the health care aid grant program. This updated estimate is based on the number of peacetime veterans in each year and an estimate of the participation rate of those veterans in the program. If peacetime eligibility is approved as recommended by the Governor, the Committee could provide this additional funding to meet the costs of peacetime eligibility and increase funding by a total of \$99,000 SEG in 1997-98 and \$94,200 SEG in 1998-99.

15. The Department estimates \$51.2 million in home loans would be made to peacetime veterans each year. The bill does not provide additional bonding authority for extending home loan program benefits to peacetime veterans. Therefore, there is no change to the bill if the Committee decides to delete funding for peacetime veterans for home loan programs. If the Committee decides to extend eligibility to peacetime veterans for the home loan programs, the associated increased bonding authority needs to be addressed. This item is contained in a separate paper.

16. If the Committee is concern about both the uncertainty in future program demand from peacetime veterans and the overall effect on the trust fund of extending benefits to

peacetime veteran will cause, the Committee could consider implementing the expansion of benefits to peacetime at this time only to loan programs. Loans including the personal loan program and the primary home mortgage loan provide benefits to veterans which are later fully repaid to the Department, unlike grants.

17. The same arguments that have been made for extending benefits to peacetime veterans will most likely be raised against only extending loan benefits to peacetime veterans. In addition to the counter arguments raised above, it should be noted that when the trust fund was created in 1961, a number of revenue sources had to be combined to provide sufficient funding for the benefits provided at that time. Under the Governor's bill, many programs are being expanded and a new program is being created, all of which will substantially impact the trust fund. It could be argued that grant expenditures, which deplete the fund balances must be considered. In addition, expanding eligibility for the loan programs to peacetime veterans would provide this group of veterans with a benefit.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to extend state veterans program benefits to peacetime veterans as defined in the bill with the following modifications: (a) that only veterans who were discharged under honorable conditions or who qualify for federal general veteran benefits be included as eligible peacetime veterans; (b) delete the application of the peacetime definition to the tuition fee and reimbursement program; (c) delete the provision that would allow veterans to receive up to \$300 for burial services from a county they were not residing in at the time of death. Modify the Governor's level of funding to provide an additional \$99,000 SEG in 1997-98 and \$94,200 SEG in 1998-99 based on a reestimate of program demand.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	\$193,200

2. Modify the Governor's recommendation to provide that only the veterans loan program benefits be expanded to peacetime veterans, as defined by the bill, with the added modifications that the veterans must have been discharged under honorable conditions or qualify for federal general veteran benefits be included as eligible peacetime veterans. [Note: The amount of funding for peacetime veterans under the loan programs is addressed in each specific loan paper.]

<u>Alternative 2</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$782,300

3. Maintain current law. [Note: Under this alternative, the amount of funding for peacetime veterans under the loan programs is addressed in each specific loan paper.]

**Alternative 3****SEG**

1997-99 FUNDING (Change to Bill)

- \$782,300

MO#

Alt 1

Prepared by: Tricia Collins

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 15 NO 0 ABS

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Veterans Trust Fund--Personal and Economic Assistance Loan Programs (Veterans Affairs)**

[LFB Summary: Page 635, #4]

## CURRENT LAW

The Department of Veterans Affairs administers an economic assistance loan program (EAL) for qualified veterans. Loans are available under this program for: (1) the purchase of a business or business property; (2) home improvements; (3) education for the veteran or his or her children; (4) essential economic assistance; (5) the purchase of a mobile home or land for a mobile home; (6) payment for farm-related expenses; (7) debt consolidation; and (8) the purchase of furniture and appliances.

## GOVERNOR

Provide \$7,500,000 SEG annually in a new appropriation for loans under a new personal loans program funded from the veterans trust fund. Provide increased revenue to the trust fund to finance the new program from interest and principal repayments on a \$70 million loan portfolio that would be transferred into the veterans trust fund from the disenfranchised mortgage loan and home improvement loan account. Further, authorize DVA to borrow money for the program from the State of Wisconsin Investment Board (SWIB) and/or the Department's own primary home mortgage repayment fund. Provide \$262,500 SEG in 1997-98 and \$1,511,300 SEG in 1998-99 for debt service payments on additional annual revenue of \$7.5 million for the program expected to be obtained as a loan from SWIB or from the primary home mortgage repayment fund. Also provide an additional \$150,000 SEG annually for reserve costs associated with possible loan defaults in the personal loan program. Provide that all monies received by

DVA from the repayment of personal loans, net proceeds from the sale of mortgage properties, gifts, grants, other appropriations and accrued interest earnings shall be deposited and credited to this new appropriation and used to repay any money borrowed from the veterans mortgage loan repayment fund or SWIB.

Establish the following requirements for the personal loan program: (1) the maximum loan amount would be \$15,000 for a term not to exceed ten years, with the exact terms of the loan (including the interest rate) to be set by DVA; (2) loans could be made to qualified applicants for the purchase of a mobile home, business or business property, education of a veteran or his or her spouse or children, the payment of medical or funeral expenses or the consolidation of debt; (3) loans could also be made to a qualifying veteran's remarried spouse or to the parents of deceased veterans for the education of the veteran's children; (4) an applicant would have to be a resident of the state and living in the state on the date of the loan application; (5) no person could receive a loan in an amount that when added to the balance outstanding on a person's existing economic assistance loan and consumer loan exceeds \$15,000, or a lesser amount as established by the Department by rule.

Require DVA to promulgate rules for the administration of the personal loan program including underwriting criteria and application procedures and allow DVA to issue such rules as emergency rules without meeting the requirement that such rules are necessary for the preservation of public, peace, health, safety or welfare.

Repeal the economic assistance loan program and delete \$4,359,700 SEG annually. Also repeal statutory provisions regarding the consumer loan program. Repayment of existing economic assistance loans and consumer loans, including principal and interest, would continue to be deposited into the veterans trust fund.

## **DISCUSSION POINTS**

1. The Governor's recommendations would repeal the economic assistance loan program and language relating to the consumer loan program and create a personal loan program.

2. The Department requested the establishment of the personal loan program for two reasons: (a) to establish a new loan program that would meet the financing needs of today's veterans; and (b) to provide a program that will have a large enough loan portfolio to generate sufficient earned income to not only pay the costs of the program but in addition (through interest costs) provide revenue to the trust fund to offset the costs of other grants and administrative costs, thereby endeavoring to ensure the long-term financial viability of the trust fund. The Department also indicated during its testimony before the Committee that it wished to run the agency more like a business by generating sufficient revenue to support the trust fund program and thereby not require GPR support.



3. Currently, DVA administers an economic assistance loan program. This program provides loans to qualifying veterans with an annual income of \$36,600 or less, plus \$500 additional income allowed for each dependent in excess of two and assets equal to or less than \$2,500 plus six months worth of living expenses. Qualified veterans may obtain economic assistance loans up to \$5,000 at 6.0% interest. By statute, the term of these loans may not exceed ten years. However, DVA has, by administrative rule limited the maximum term to eight years and provided for the standard term to be five years.

4. Budgeted and expended amounts for the economic assistance loan program for the last four years are provided in the table below.

#### **Economic Assistance Loan Program**

<u>Fiscal Year</u>	<u>Budgeted Amounts</u>	<u>Expenditures</u>
1993-94	\$3,855,000	\$2,567,000
1994-95	6,276,900	2,180,700
1995-96	4,759,800	2,891,200
1996-97	4,509,700	1,971,800*

\* As of May 20, 1997.

5. The Department indicates that at least part of reduced usage of the EAL program is related to the consumer loan program which DVA operated from approximately 1993 through 1994.

6. The consumer loan program, referred to in the statutes as the veterans trust fund stabilization program, was created as a one-time program by 1993 Act 16. Under Act 16, \$20 million in one-time funding was transferred from excess reserves in the veterans mortgage loan repayment fund to the veterans trust fund to fund the program. Loans made under this program were limited to a maximum of \$15,000, with an interest rate of 7.95% (is June, 1994) and a term not to exceed ten years. There were no income limits for this program. Loans were issued for a variety of uses, including the purchase of a mobile home or business property, the repair of or addition to a home or business property, the construction of a garage, the education of a veteran or his or her spouse or children, the payment of medical or funeral expenses, or the consolidation of debt. Principal and interest repayments on the loans made under this program will continue to paid into the veterans trust fund for approximately the next seven to eight years.

7. Because of a high demand for loans under the veterans consumer loan program, the original \$20 million was fully committed by October, 1993. Subsequent legislation, 1993 Act 254, provided an additional \$15.6 million from the proceeds remaining after the sale of revenue

bond mortgages and retirement of the associated outstanding debt. These later funds, also utilized for additional consumer loans, were essentially depleted on December 31, 1994.

8. Although statutory provisions still exist for the consumer loan program, loans have not been given out since the end of 1994. The Governor's recommendation would repeal this program. Repayment of existing consumer loans would continue to be deposited into the veteran trust fund.

9. The general intent behind the personal loan program is that it would provide loans for most of the purposes provided under both the economic assistance loan program and the consumer loan program. The new loan program, however, would not provide loans for home improvements or additions which were a permitted loan purpose under both of the other programs. The Department intends on providing guarantor secured loans up to \$3,000 for home improvement purposes under the home improvement loan program, instead of providing loans for such purposes under the personal loan program.

10. Loans under the new program would be made to qualified applicants, who are also residents of the state and living in the state on the date of the loan application, for the purchase of a mobile home, business or business property, education of a veteran or his or her spouse or child, the payment of medical or funeral expenses or consolidation of debt. Under the bill, qualified applicants would be extended to include a veterans' unremarried spouse or a deceased veteran's child.

11. Loans for educational purposes made under the program could also be made to a qualifying veterans' remarried spouses or parents of deceased veterans for the education of the veterans' children. A veteran's child to be eligible would have to be: (a) under the age of 18; (b) under the age of 26 if a full-time student; or (c) any age if incapable of self-support due to mental or physical disability.

12. Under the Governor's recommendations, DVA would be provided with the same administrative powers under the personal loan program regarding debts, loan expenses and denial of loans to veterans who are reported delinquent on child support payments as applied under the former consumer loan program. In addition, DVA would be required to promulgate rules for the administration of the personal loan program including underwriting criteria and application procedures. DVA would be allowed to issue such rules as emergency rules.

13. The Department anticipates that the interest rates for loans under the new personal loan program would be stratified based on three levels of veteran income. The actual interest rates would be set by the Secretary pursuant to rules promulgated by the Department.

14. The bill provides \$7.5 million annually in a continuing appropriation for loans under the new loan program for the veterans trust fund based on funding that would be available from the loan portfolio transfer. Under a continuing appropriation, the amounts shown in the appropriation schedule are merely estimates of the amounts that will be expended and are not

controlling. The Department has indicated that it estimates demand for the program will be approximately \$15 million annually. Currently, DVA plans to obtain a loan from SWIB to finance another \$7.5 million in loans. This means that the continuing appropriation under the bill should actually be estimated at \$15 million annually.

15. The Governor's recommendations would transfer a loan portfolio from the disenfranchised veterans to provide a revenue stream for the personal loan program. In order to continue funding the current disenfranchised mortgage loan program, the Governor's recommendations provide funding with taxable bonds for this veterans population under the regular primary mortgage loan program as discussed in a separate issue paper.

16. The transfer of the loan portfolio would provide approximately \$3.5 million in one-time cash to the veteran trust fund in 1997-98 and approximately \$2 million in 1997-98 and \$2.2 million in 1998-99 in principal payments to the fund. In addition, approximately \$4.2 million in 1997-98 and \$4 million in 1998-99 would be received by the trust fund from interest repayments on this portfolio. It is estimated that this revenue stream would be sufficient to support a \$7.5 million annual demand for personal loans.

17. To provide the additional funding for the program the Department would be allowed to either borrow money from SWIB or from the veterans mortgage repayment fund. There is no limit in the Governor's recommendations regarding how much money could be borrowed by the Department.

18. Under the bill, \$262,500 SEG in 1997-98 and \$1,511,300 SEG in 1998-99 is provided for debt service payments on the \$7.5 million in loans expected to be obtained annually from either SWIB or from the primary home mortgage repayment fund. In addition, \$300,000 SEG annually is provided for reserve costs associated with possible loan defaults in the program.

19. The bill provides that all monies received by DVA from the repayment of personal loans, net proceeds from the sale of mortgage properties, gifts, grants, other appropriations and accrued interest earning shall be deposited and credited to this new appropriation and used to repay any money borrowed from the veterans mortgage loan repayment fund or SWIB.

20. The language regarding the receipt of personal loan repayments does not allow DVA to use the proceeds to make new personal loans or to fund other veterans trust fund programs. Rather the proceeds would have to be credited to the appropriation created for repayment of monies borrowed from the veterans mortgage loan repayment fund or SWIB. The Department indicates that this was not the intent in creating this appropriation.

21. The Committee could modify the language in the bill to provide that the appropriation in the bill be specified as a continuing appropriation for debt service payment for repayment of monies borrowed by DVA from either SWIB or its own mortgage loan repayment fund. The Committee could also add clarifying language that repayments of personal loans

would revert to the veterans trust fund so that these revenues can either be used for additional personal loans, to pay debt service costs or to fund other trust fund programs.

22. The Department has indicated that one of its main reasons for the personal loan program would be to ensure the long-term financial viability of the trust fund. A separate paper provides an overview of condition of the veterans trust fund. DVA has estimated that with the new loan program the trust fund would have sufficient assets and revenues to remain solvent until at least the end of fiscal year 2006-07 (assuming no other program changes). These estimates are based on an annual personal loan program demand of \$15 million per year.

23. As noted previously, the Governor's recommendations would provide \$7.5 million in a continuing appropriation for the funding of the personal loan program. However, DVA expects to expend \$15 million annually for loans under the program based on projected demand. The Department has estimated that out of the \$15 million in demand, approximately \$4.7 million annually would be from peacetime veterans that, under the bill, would be eligible for this program and other DVA programs.

24. The Department, in estimating demand for this new program, based its projected demand for personal loans in part on previous participation in the earlier one-time consumer loan program. The Department felt the consumer loan program was the program most similar to the proposed personal loan program. However, the consumer loan program, while arguably the most similar loan program, was a one-time program. Consequently, one-time participation levels may or may not be reflective of what on-going demand for a permanent personal loan program will be. As with any new program it is very difficult to estimate demand. It is possible that demand could be greater than \$15 million estimated by the Department or that it might be considerably less.

25. It could be argued that a greater level of legislative oversight regarding program expenditures would result if the program appropriation were set at a specified level by establishing the appropriation as an annual appropriation. Under such an approach, DVA would retain the ability to obtain additional revenues through loans to the VTF from either SWIB or veterans mortgage loan repayment fund. However, the ability to expend such additional revenues above the level of funds authorized in the annual appropriation would require DVA to request an expenditure increase from the Committee under s. 13.10. The Committee could modify the appropriation to a sum certain annual appropriation and provide \$15 million SEG annually for personal loan program expenditures (plus \$300,000 SEG annually for loan defaults).

26. If the Committee does not approve eligibility for peacetime veterans, the Committee could modify the appropriation to a sum certain annual appropriation and provide \$10.3 million SEG annually plus \$300,000 SEG annually for loan defaults.

27. Alternatively, the Committee could set the expenditure authority in the annual appropriation for the program at the \$7.5 million level actually contained in the bill. Under this approach, DVA could begin the program and determine what the actual level of program demand

is. If demand indicates that more than \$7.5 million in loans are likely to be requested in 1997-98 or in 1998-99, then DVA could return to the Committee under s. 13.10 for an increase in expenditure authority. The Department would still have the ability under the bill language to obtain the additional loan funding from either SWIB or from its own mortgage loan repayment fund to provide the additional revenues for the veterans trust fund to pay for such increased loan volume. Under this alternative, the estimated debt service costs in the continuing appropriation for repayment of such loans could be reestimated at this time to zero. [If the loans were obtained in at a subsequent time, the continuing appropriation would be reestimated at that time based on the required loan repayment schedule and amounts.]

28. If only \$7.5 million was expended for personal loans, the balance in veterans trust fund would be estimated at about \$16.9 million in 1997-98 and \$16.1 million in 1998-99. Providing \$15 million in personal loan would result in an estimated balance of \$17.1 million in 1997-98 and \$16.3 million in 1998-99. The difference in balances is about \$200,000 in each year of the next biennium. These figures assume the Governor's recommended funding levels for the other veterans trust fund programs.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendations in regard to the creation of a new personal loan program except clarify that the appropriation in the bill for the repayment of loans to the trust fund from SWIB or the veterans mortgage loan repayment fund is financed from the trust fund and that repayment of personal loans under the new program accrue to the trust fund to be used for any authorized purpose of the fund.

2. *Modify alternative 1: by making the following changes:* (a) deleting \$262,500 SEG in 1997-98 and \$1,511,300 SEG in 1998-99 for debt service costs for repayment of additional funds necessary to achieve a \$15 million personal loan expenditure level; and (b) provide that the appropriation funding the personal loan program would be an annual sum certain appropriation set at \$7.8 million annually. [Of that amount, \$7.5 million would be for personal loans and \$300,000 for reserve costs associated with possible loan defaults in the personal loan program.]

<u>Alternative 2</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$1,773,800

3a. *In addition to alternative 1*, provide that the appropriation funding the personal loan program would be an annual sum certain appropriation set at \$15.3 million annually [Of that amount, \$15 million would be for personal loan and \$300,000 for reserve costs associated with possible loan defaults in the personal loan program.]

<u>Alternative 3a</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	\$15,000,000

3b. *In addition to alternative 1, provide that the appropriation funding the personal loan program would be an annual sum certain appropriation set at \$10.6 million annually (of that amount, \$10.3 million would be for personal loan and \$300,000 for reserve costs associated with possible loan defaults in the personal loan program). [Note: This alternative eliminates funding for peacetime veterans.]*

<u>Alternative 3b</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	\$5,000,000

4. Maintain current law.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$8,354,400

Prepared by: Tricia Collins

MO# MTZ

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 15 NO 0 ABS 0



# VETERANS AFFAIRS

## Creation of a Federal Per Diem Appropriation

### Motion:

Move to create a continuing appropriation to be funded from money received from the federal government for services provided to veterans under the veterans assistance program to be used for the general program operations of the veterans assistance program.

### Note:

Under current law, the veterans assistance program does not receiving federal funding and has no appropriation established for such fund. The Department has indicated that it is eligible to receive funding for the U.S. Department of Veterans Affairs through a new program. The Department estimates it would receive \$150,000 per year through per diem payments for veterans residing state veterans assistance center at King and Southern Center of Wisconsin.

This motion would create a continuing appropriation, funded from money received from U.S. Department of Veterans Affairs, to be used for funding the general program operations of the veterans assistance program.

[Change to Bill: \$300,000 FED]

MO# 7001

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

Motion #7001

AYE 16 NO 0 ABS 0



To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Veterans Trust Fund -- Veterans Assistance Program (Veterans Affairs)**

[LFB Summary: Page 637, #5]

## CURRENT LAW

The Department of Veterans Affairs administers a veterans rehabilitation program which was created to provide assistance to homeless, incarcerated and other groups of needy veterans. As part of the program, three veterans assistance centers have been established in Wisconsin in the following locations: King, Milwaukee and Fort McCoy. The program is funded from the veterans trust fund (\$1,600,000 SEG in 1995-97).

## GOVERNOR

Provide \$200,000 SEG annually to establish a new veterans assistance center at the Southern Wisconsin Center in Union Grove, Wisconsin. Provide that the funds be placed in unallotted reserve until the agency submits a detailed plan for the new center to DOA for approval. Also, modify current law to change the program name from "veterans rehabilitation program" to "veterans assistance program."

Further, allow DVA to charge program fees for transitional housing and for such other assistance provided under this veterans assistance program as DVA determines. Provide that any resulting revenue for these fees be credited to a new, continuing appropriation. Specify that expenditures of these fee revenues may be used for any general program operation of the Department. It is not identified who would pay the fees, what services fees would be charged for or what the amount of the fees would be. However, the bill does specify that the fee schedule and manner of implementation shall be set by administrative rule.

## DISCUSSION POINTS

1. The veteran assistance program (VAP), currently referred to in the statutes as the veterans rehabilitation program, was created by 1993 Act 16, and provides assistance to homeless, incarcerated and other groups of needy veterans. The intent of the program is to establish regional centers to provide transitional housing for veterans and to assist veterans in need of receiving medical and dental care, and educational and employment services.
2. Since the creation of the VAP, three centers have been established in Wisconsin in Milwaukee, Fort McCoy and King.
3. All veterans who have served in the U.S. Armed Forces with other than a dishonorable discharge are eligible to participate in the VAP.
4. From the inception of the program through May 1, 1997, there were 1,380 veterans who were residents at a VAP center. Of those residents, DVA indicates that 47% left with a job and housing, 12% were referred to a long-term treatment facility and 41% left without either a job or housing. The Department indicates that 5,305 non-resident veterans were also assisted as of May 1, 1997. Assistance for non-residents includes referrals, on-the spot assistance, job assistance, housing assistance and counseling.
5. The bill provides \$200,000 SEG annually to expand the VAP by creating a new veterans assistance center in Union Grove, Wisconsin, at a facility on the Southern Wisconsin Center campus. However, under the Governor's recommendation the funding for the program would be placed in unallotted reserve and the Department would be required to submit a detailed plan for the new center which must be approved by the Secretary of DOA before funds are released.
6. The Department indicates that the VAP has recently become eligible to receive funding from the U.S. Department of Veterans Affairs through a new federal program. First, funding for renovation work at the Southern Center VAP center could be provided for up to two-thirds of the cost of the renovations. Second, federal per diem payments (maximum of \$15 per veteran per day or in-kind assistance in lieu of per diem payments) could be provided to the Department for veterans participating in the VAP program at the King and Southern Center sites, if DVA is authorized the payments. The Department indicates that the per diem funding would be continuing unless federal funding for the program is no longer available or services are no longer provided. The federal DVA will at least once every three months review the continuation of per diem payments for each veteran.
7. It might be argued that receipt of federal per diem payments would allow for a reduction in an equal amount of program funding required from the veterans trust fund. However, the federal regulations suggest that no federal assistance provided under this program

may be used to replace federal, state or local funds previously used, or designated for use, to assist homeless veterans.

8. Per diem payments for the King site are anticipated upon occupancy of remodeled facilities there. However, it is not certain when, if authorized, the per diem payments would begin for the site at Southern Center. The Department anticipates having the VAP at Southern Center operating around January of 1998. In addition, it is unclear how the federal funding amounts will be used in the program and how the additional funding from the trust fund for the VAP center to be held in unallotted reserve might be impacted.

9. The Department estimates that it could receive as much as \$150,000 per year through per diem payments. Under current law, there is no appropriation for federal funding of the VAP program. The Committee could create a continuing federal appropriation for the program but require before any initial expenditures from the appropriation are made that DVA submit a report under 14-day passive review indicating how the federal per diem payments will be used, and how funding for the VAP program from the veterans trust fund will be impacted.

10. The Committee could also place the annual \$200,000 SEG funding for the new VAP program at Southern Center in the Joint Committee on Finance's SEG appropriation and require DVA to submit a detailed plan regarding expected veterans trust fund expenditures for the new VAP center to the Joint Committee on Finance under s. 13.10 before release of the funds from the Committee's appropriation. In addition, the Committee could require DVA to report on the amount of any federal funding from the per diem program for the new center. Under this alternative, the use of funding available from both sources could be reviewed along with the Department's plan and a determination of the appropriate overall funding level for the program at the new VAP center at Southern Center.

11. The Governor's recommendation would also newly allow DVA to charge program fees for transitional housing and for such other assistance provided under the veterans assistance program as DVA determines. Under the bill, it is not identified who would pay the fees, what services fees would be charged for or what the amount of the fees. The bill does specify that the fee schedule and manner of implementation shall be set by administrative rule. Further, the bill would provide that resulting revenue for these fees would be credited to a new, continuing appropriation and that expenditures of these fee revenues could be used for any general program operation by the Department. The Department indicates that its intent was to allow the fee revenues only to be used for the program and not all Department program operations.

12. The Department has indicated that the Governor's recommendation would provide it with the mechanism to be able to charge fees if the Department decided to do so. A possible fee activity the Department is looking into is establishing single room occupancy (SROs) as a final phase of the overall program. A veteran in this phase would reside in a single room and pay a fee based on criteria yet to be determined. However, under the federal per diem program for the VAP there are certain requirements regarding the type and amount of fees that can be

charged. For instance, each resident of supportive housing may be required to pay rent not to exceed the highest of: (a) 30% of the resident's monthly adjusted income; (b) 10% of resident's family monthly income; or (c) a portion of welfare assistance payments. In addition to rent, the regulations provide that residents may be charged reasonable fees for services not paid with VA per diem funds or in-kind assistance.

13. Due to the uncertainty regarding what fees will be charged and against whom, the Committee could delete this language from the bill. The Department could return with separate legislation when it has specifically identified what fees would be charged, at what level and against whom.

14. Alternatively, if the Committee felt that the Department should have the statutory authority to charge veterans in the VAP program fees but is concerned about the lack of specificity in the bill regarding the use of any fees, the Committee could modify the Governor's recommendation to provide that the new appropriation be established as an annual appropriation rather than a continuing appropriation with no expenditure authority provided. The Department would then have to seek approval under s. 16.515 to have expenditure authority to expend any of the fee revenue. The Committee could review DVA's plan at that time as a part of any such s. 16.515 request. Further, the Committee could modify the Governor's provision to provide that any revenues received from fees charged for services in the VAP would be credited to the program revenue appropriation for use only in the VAP program and not the general program operations of the Department.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by: (a) creating a continuing appropriation for receipt of federal funding for the VAP program; (b) requiring before expenditure of any of the federal funding that DVA submit a report under 14-day passive review process indicating how the federal per diem payments will be used; (c) deleting \$200,000 SEG annually from the Department's appropriation and placing \$200,000 SEG annually in the Committee's SEG appropriation for release to DVA under s.13.10 and requiring that DVA submit a detailed expenditure plan for the new center and for the use of federal per diem payment in the VAP before the funds may be released; and (d) establishing the new PR appropriation as an annual appropriation with no expenditure authority for use only for the VAP program.

3. Maintain current law.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$400,000

Prepared by: Tricia Collins

MO# Alt. 2

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Veterans Trust Fund -- Grants to Veterans -- Tuition Fee Reimbursement Grant Program (Veterans Affairs)**

[LFB Summary: Page 638, #6a]

## CURRENT LAW

The tuition and fee reimbursement program provides up to 35% reimbursement of tuition and fees to eligible veterans for undergraduate study at a state UW or technical college institution, upon a participant's successful completion of a semester's course work. Eligibility is limited to veterans with who have served on active duty for at least two years (or their complete initial service obligation) and who were released from active duty no more than six years prior to the date of application for reimbursement. Beginning with semesters starting after June 30, 1997, this program will provide reimbursement up to 50%.

## GOVERNOR

Reduce funding by \$291,200 SEG in 1997-98 and \$9,300 SEG in 1998-99 for the tuition and fee reimbursement grant program. Expand program eligibility to allow veterans who complete a course within ten years of their date of discharge to be eligible for the tuition fee reimbursement grant program. In addition, expand the schools that a veteran may attend under the program to include those institutions in Minnesota that waive tuition nonresident tuition under the Minnesota-Wisconsin reciprocity agreement. Limit reimbursement under the program to a maximum of 50% of the standard cost for state resident's tuition and fees for an equivalent undergraduate course at the University of Wisconsin-Madison.

## DISCUSSION POINTS

1. The tuition and fee reimbursement program (TFRG) was authorized by 1993 Act 254. However, funding for the program was first provided under 1995 Act 27 (the 1995-97 biennial budget).

2. Eligibility is restricted to veteran's with incomes of \$47,500 or less (plus \$500 for each dependent in excess of two), and who have served on active duty for two or more continuous years or the full period of the individual's initial service obligation, whichever is less. An individual discharged for reasons of hardship, service connected disability or due to a reduction in the armed forces is eligible regardless of the time served.

3. Under current law, eligibility applies only to veterans who were released from active service no more than six years prior to application for reimbursement. The bill would extend this eligibility to those who were released from active duty no more than 10 years prior to application reimbursement under the program.

4. The Department indicates it requested the expansion of the eligibility to ten years to make the time limit for TFRG consistent with federal veterans education benefits. Federal law provides that a veteran generally has ten years from the date of last discharge or release from active duty to use the Montgomery GI Bill program. (Certain extenuating circumstances allow veterans to qualify for extensions.)

5. Currently, the program provides reimbursement for tuition and fees at any institution or center within the UW system or any state technical college. The Governor's recommendation would extend the eligible institutions of higher education to include those institutions in Minnesota that waive tuition nonresident tuition under the Minnesota-Wisconsin reciprocity agreement. Currently there are 31 collegiate institutions and 31 technical colleges in Minnesota that are part of this agreement.

6. This would be an expansion in eligibility under the program. Presumably the rationale for the expansion is to allow Wisconsin residents to attend a Minnesota institution under the reciprocity program and still be able to receive reimbursement under the TFRG program. An estimate of the fiscal effect of this change is not available. However, the Committee could consider whether it wishes to authorize this program eligibility expansion.

7. The Governor's recommendation would limit reimbursement under this program to the cost of an equivalent undergraduate course of undergraduate tuition and fees at the University of Wisconsin-Madison. Under current law, there is no limit to the amount that may be reimbursed other than the overall limit of 50%.

8. The Department is required by statute to provide reimbursement under this program from the appropriation account only for the fiscal year in which the course was

completed or in which the academic term during which the course was taken ended, whichever is earlier. Expenditures for the program and budgeted amounts are listed in the table below.

**Tuition and Fee Reimbursement Program  
Budgeted and Expended Amounts**

<u>Fiscal Year</u>	<u>Budgeted Amounts</u>	<u>Expenditures</u>
1995-96	\$1,785,800	\$660,700
1996-97	1,783,300	900,000*

\* Estimated.

9. Three changes to the program will affect the level of funding required in 1997-99. First, effective for courses started after June 30, 1997, reimbursement under the program will be at 50% rather than the current 35% reimbursement rate. Second, eligibility under the bill for this program is being expanded to allow reimbursement for veterans who seek reimbursement under the program within 10 years of their date of discharge from active duty, compared to the current six years maximum. Third, as illustrated in the table above, base level demand for the program to date has been below the projected levels.

9. Under the Governor's recommendations, funding for the program would be set at \$1,829,600 SEG in 1997-98 and at \$1,986,900 SEG in 1998-99. Included in this funding is an increase of \$337,500 SEG in 1997-98 and \$212,900 SEG in 1998-99 for the estimated cost of expanding the program eligibility from six years of date of discharge to 10 years. In the agency's budget request this was indicated as the increased cost associated with peacetime eligibility but DVA has subsequently indicated that this was incorrect and should have been identified as the cost associated with the change to eligibility based on date of discharge from active duty. Based on updated data obtained from the Department, the cost of this change is now estimated at \$314,800 SEG in 1997-98 and \$198,600 SEG in 1998-99. The Committee could modify the funding provided by Governor to delete \$22,700 SEG in 1997-98 and \$14,300 SEG in 1998-99.

10. However, it could be argued that when this program was initially established the intent was that it primarily be for the benefit of veterans returning from a two-year term of active duty and who could use the program to attain a baccalaureate degree as a part of their re-entry to civilian life. The limit of program eligibility to six years following discharge was presumably seen as reasonable time within which a veteran could achieve this goal. The Committee could choose to maintain the current six-year time period for eligibility and delete \$337,500 SEG in 1997-98 and \$212,900 SEG in 1998-99.



11. Under the Governor's recommendations, base funding for the program, based on current demand and the projected increase in the reimbursement rate, was reduced by \$291,200 SEG in 1997-98 and \$957,200 SEG in 1998-99. Based on updated data obtained from DVA, base funding for the program could be further reduced by \$100,200 SEG in 1997-98 and by \$197,900 SEG in 1998-99 based on a reestimate of demand.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to modify the tuition fee and reimbursement program as follows: (a) expand program eligibility to allow veterans who complete a course within ten years of their discharge to be eligible for the tuition fee reimbursement grant program; (b) expand the schools that a veteran may attend under the program to include those institutions in Minnesota that waive nonresident tuition under the Minnesota-Wisconsin reciprocity agreement; and (c) limit reimbursement to a maximum of 50% of the standard cost for state resident's tuition and fees for an equivalent undergraduate course at the University of Wisconsin-Madison. Modify the Governor's recommended funding level by deleting \$100,200 SEG in 1997-98 and \$197,900 SEG in 1998-99 for the tuition and fee reimbursement program based on a reestimate of program demand and deleting \$22,700 SEG in 1997-98 and by \$14,300 SEG in 1998-99 to reflect a reestimate of the cost of extending program eligibility to a date that is within 10 years of a veteran's date of discharge.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$335,100

2. Modify alternative 1 by keeping program eligibility limited to reimbursement to veterans who are within 6 years of their date of discharge from active duty and delete \$337,500 SEG in 1997-98 and \$212,900 SEG in 1998-99.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$550,400

3. Modify alternative 1 by deleting the provision expanding the schools that a veteran may attend under the program to include those institutions in Minnesota that waive nonresident tuition under the Minnesota-Wisconsin reciprocity agreement.

Prepared by: Tricia Collins

MO# Att. 2

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
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JENSEN	<input checked="" type="radio"/>	N	A
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GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

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MO#	NAME	Y	N	A
2	BURKE	Y	N	A
	DECKER	Y	N	A
	GEORGE	Y	N	A
	JAUCH	Y	N	A
	WINEKE	Y	N	A
	SHIBILSKI	Y	N	A
	COWLES	Y	N	A
	PANZER	Y	N	A
	JENSEN	Y	N	A
	OURADA	Y	N	A
	HARSDORF	Y	N	A
	ALBERS	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	LINTON	Y	N	A
	COGGS	Y	N	A

DATE 5 NO 1 ABS